Sam's Economics

Roth conversions: pay the tax when it's cheapest

How a Roth conversion works, how much to convert each year, the tax valley after retirement, and the three traps to check first.

SAME COUPLE, SAME IRA, TWO WAYS

+$335,000 after tax by 90

Greg and Elena convert enough each year from 62 to 74 to fill the 12% bracket. Counting the tax their heirs would pay, their family pays about $176,000 in federal tax and surcharges instead of $638,000.

1. How it works

- You move money from a traditional IRA to a Roth IRA. The amount counts as taxable income that year.
- After that, the Roth grows tax-free, has no required withdrawals for you, and passes to heirs tax-free.
- A conversion doesn't decide **whether** the IRA is taxed, only **when and at what rate**. Compare your rate now with the rate the money would face later.
- Conversions can't be undone.

2. The 2026 numbers (federal)

MARRIED FILING JOINTLY: TAXABLE INCOME	RATE
Up to $24,800	10%
$24,801 to $100,800	12%
$100,801 to $211,400	22%
$211,401 to $403,550	24%

Standard deduction $32,200 for a married couple ($16,100 single), plus $1,650 per spouse 65+ ($2,050 single). A temporary $6,000 senior deduction applies 2025–2028 (phased out above $150,000 of income for a couple). Single-filer brackets are about half as wide: 12% ends at $50,400. Medicare surcharges (IRMAA) start at $218,000 of income for a couple, $109,000 single. Required withdrawals start at 75 for anyone born in 1960 or later (73 if born 1951–1959). 2027 brackets were not yet released when this guide was written.

3. Greg and Elena, 62 to 90

Both 62 and retired; $1.2M traditional IRA; $300,000 savings; Social Security $60,000 a year from 67 ($36,000 for the survivor); Greg dies at 85; 4% return after inflation; heirs' rate 24%.

	LEAVE THE IRA ALONE	CONVERT TO THE TOP OF 12%
Ages 62–74	No tax	Convert $133,000/yr (then $85,300 from 67); tax $11,600/yr, paid from savings
Required withdrawal at 75	$81,223 (about $112,000 by 85)	About $5,900–$9,100, no tax
Yearly tax 75–85	$11,111 rising to $17,423	$0
Elena alone, 86–90	About $23,000/yr tax + $2,885/yr Medicare surcharge	$0
IRA left at 90 (heirs' tax at 24%)	$1,447,777 ($347,466)	$105,631 ($25,351)
Taxes + surcharges incl. heirs	$638,035	**$176,151**
After-tax wealth at 90	$3,942,147	**$4,276,932**

How far to convert

CONVERSION CEILING	AFTER-TAX WEALTH AT 90	VS LEAVING IT ALONE
Top of 10%	$4,188,875	+$246,727
Top of 12%	**$4,276,932**	**+$334,784**
Top of 22%	$4,118,316	+$176,169
Top of 24%	$3,982,610	+$40,462

More isn't better: convert at a lower rate than the money would face later, and no more.

4. The three traps

1. **Medicare looks back two years.** Income from conversions at 63 and later can raise Medicare premiums two years later if it crosses the surcharge line.
2. **Marketplace health insurance before 65.** Conversion income can reduce premium tax credits. Run both numbers.
3. **Paying the tax from the IRA.** Less money grows tax-free; before 59½ the withheld amount can also face a 10% penalty. Pay from savings.

5. My conversion worksheet

YEAR / AGE	OTHER TAXABLE INCOME	BRACKET TOP + DEDUCTION	ROOM TO CONVERT	TAX DUE (FROM SAVINGS)

Also check: state income tax on conversions; the five-year rules for Roth withdrawals; whether your heirs are likely to be in a higher bracket than you; and that you have enough savings to pay the tax without touching your emergency fund.

Questions for your tax professional

1. What is my expected tax rate after required withdrawals begin, and after one spouse dies?
2. Which bracket should I fill each year, given Social Security, pensions and my state's tax?
3. How do conversions affect my Medicare premiums (IRMAA) and any health insurance subsidies?
4. Should I make estimated tax payments for the conversion, and when?
5. How do the five-year rules apply to my Roth withdrawals?

6. Checklist

- [ ] I found my tax valley: the years between my last paycheck and Social Security or required withdrawals.
- [ ] I estimated my future rate, including the single-filer brackets and my heirs' rate.
- [ ] I convert enough each year to fill a bracket lower than that future rate, and no more.
- [ ] I pay the tax from savings, not from the IRA.
- [ ] I checked the Medicare surcharge line and any health insurance subsidies first.

Model: US federal tax only, 2026 brackets and deductions held constant in today's dollars; Social Security taxed by the provisional-income formula; IRS Uniform Lifetime Table for required withdrawals; 2026 IRMAA tiers on same-year income; conversion tax and surcharges paid from savings; all accounts grow 4% after inflation; no tax on savings growth; temporary senior deduction not included. Sources: IRS Rev. Proc. 2025-32 (2026 brackets, standard and additional deductions); 2026 Medicare IRMAA tiers (CMS); SECURE 2.0 (RMD age 75 for those born 1960 or later); SECURE Act 10-year rule for most non-spouse heirs. Figures are illustrations rounded to the dollar.

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